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Great Britain.

Bimetallism and the future
supply of silver

[Manchester]

[1889?]

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BIMETALLISM

FUTURE SUPPLY OF SILVER.

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AMONGST the objections to Bimetallism raised by monometallists, the following often "exercise" the minds of those who are studying the question, viz.:-

1st. That it was an increase in the production of silver which caused the break up of the Latin Union, and forced it to stop the Free Coinage of silver, and that variations in the future production of the precious metals would prevent any par of exchange being maintained between gold and silver, even under International Bimetallism.

2nd. That the purchase and coinage of silver by the United States of America under the Bland Act has resulted in the accumulation of an enormous amount of useless silver in the United States Treasury, which lies there idle, only waiting the establishment of International Bimetallism, to be thrown upon the English market.

3rd. That in consequence of our system of monometallism London is the cheapest and governing Money Market, and our joining in an International Bimetallic Convention would result in our losing that position.

From the frequent allegation that the discoveries of rich silver deposits in the United States were the primary cause of the decline in silver values, anyone unacquainted with the facts would conclude that the steady equipoise between gold and silver from 1803 to September, 1873, was secured by a regularity in the relative production of gold and silver, until close upon the latter date, and that it was a great fluctuation in the annual relative productions shortly before September, 1873, which was the primary cause of the decline in the value of silver. As a matter of fact, the production of silver for several years before the stoppage of its free coinage was at least £12,000,000 per annum, and the ratio of value between gold and silver kept practically steady.

To show clearly, however, how really absurd it is to attribute the "maintenance of the equipoise" to the relative supplies, I give a table of Soetbeer's, put in by Mr. Giffen at the inquiry by the Royal Commission on Gold and Silver,

which shows the proportion in value of the production of gold to silver from the beginning of this century till 1885 :—

	Gold. Percentage.	Silver. Percentage.
1801—1810.....	23·7	76·3
1811—1820.....	24·7	75·3
1821—1830.....	32·7	67·3
1831—1840.....	34·9	65·1
1841—1850.....	52·7	47·3
1851—1855.....	77·6	22·4
1856—1860.....	77·4	22·6
1861—1865.....	73·1	27·9
1866—1870.....	69·4	30·6
1871—1875.....	58·5	41·5
1876—1880.....	55·7	44·3
1881—1885.....	49·3	50·7

From this it will be seen that in some of the decennial periods between 1801 and 1870 there were three-and-a-half times more silver than gold produced, and, on the other hand, in others three-and-a-half times more gold than silver produced; yet during the whole seventy years the relative value of the two metals kept steady, showing that the theory of equipoise by relative supplies is not only pure imagination, but utterly contrary to the facts.

As to the statement that it was an increase in the production of silver just prior to 1873 which was the primary cause of its fall in price, the statistics put in at the late Royal Commission showed that the production during the preceding ten years had only fluctuated between £10,000,000 and £12,000,000 per annum, and that, notwithstanding Germany's declaration to demonetise silver, that metal maintained its value, and on the 31st of August, 1873, stood at 59s. per ounce (a point at which it had been two or three times earlier in the century). It was only following upon the French Government's decision, on the 6th September, 1873, to limit the free coinage of silver that the real fall in the value of that metal ensued. Indeed, on this point we have the most important and conclusive testimony, for all the members of the Gold and Silver Commission agreed* that it was the free coinage of gold and of silver at a fixed ratio at the Paris Mint which had kept the price of silver steady, and the ratio which it bore to gold approximately stable, notwithstanding the vast changes in the relative production of the two metals which occurred prior to 1873.

Respecting the purchase and coinage of silver by the United States Government, from the passing of the Bland Act in 1878 until the 31st August, 1889, the total amount coined under the Act (the provision being for not less than \$2,000,000, nor more than \$4,000,000 per month) was about £67,000,000 sterling. Of this amount, on the 10th of this month about £11,000,000 was in circulation in coin, £54,000,000 was in circulation in silver certificates issued against coin, and only £2,137,491 remained in the Treasury unrepresented in the circulation. So popular,

* Final Report, Part I, para. 187-192, signed by all the Commissioners.

indeed, are these silver certificates that in the last two years the amount in circulation has increased about £22,000,000 sterling, whereas that portion of the currency in circulation consisting of, or represented by, gold decreased by about £1,500,000. The attempted outlawry of silver has not, as some monometallists thoughtlessly desire, been so completely successful as to drive it out of circulation as Money; and, this being so, and seeing that the silver is coined under an Act of Congress, and is freely used by the people in the form of coin, or notes represented by coin, the purchase of the silver by the Government has been perfectly legitimate.

What becomes, too, of the idea, frequently heard, that there is an enormous quantity of silver in stock in the United States Treasury waiting for purchasers, and the fear that if Germany and England went in for bimetalism the American Government would be anxious sellers of probably £60,000,000 of its stock?

I have shown that the total silver coinage has been £87,000,000, and that all but £2,137,491 is in active circulation, and if England and Germany, following upon a bimetallic convention, wanted £60,000,000 of silver (though why they should, under bimetalism, necessarily want this, or indeed any extra quantity, I don't see), I maintain in the strongest manner that the United States could not spare any of their present circulation, for it is evident that it is all wanted by themselves internally, and that its withdrawal would most probably paralyse their trade. But it must always be remembered that the bimetalist proposal is strictly for an International agreement, including at least the United States, France, Germany, and England; and, with the mints of all these countries opened for the free coinage of gold and silver at a fixed ratio, there would be no inducement to the American, or any other Government, to get rid of its silver. Will any monometallist show the operation under which the United States could at once send to Germany and England £60,000,000 of silver out of their circulation; and, further, what they would buy from Germany and from us in return?

It is alleged that of late years the real, i.e., the normal, consumption of silver has only been about £10,000,000 to £15,000,000 per annum. As a matter of fact, the annual production for the last few years has been over £20,000,000 per annum, and it has all been absorbed, some into coinage, some into the arts, some no doubt stored in hoards in the Far East; but so little has there been floating about unappropriated that during the last few months a little extra buying for the East and for the British Mint has sent up prices.

As to the assertion that the production of silver will be enormously increased in future, he is wisest who does not prophesy about either this or the production of gold. There are some indications that the output of both metals will increase, and, if so, if we have international bimetalism, so much the better, for history proves that an expanded and expanding currency (of course I exclude inconvertible paper) has always been for the benefit of Commerce, the Arts, and Science. With bimetalism it would make practically no difference which metal was produced most largely, for, to use Jevons's illustration, the "connecting pipe" would maintain the level. It should be remembered, however, that a Special Committee of the British Association has had the question of the production of the precious metals under consideration for some years past, and the view it takes by no means accords with the prophecies of monometallists as to future large supplies.

Lastly, let me ask those who believe that England's commercial greatness is tied up in our single gold standard, and in the banishment of silver, to ask themselves if the general state of trade during the sixteen years which have elapsed since our gold monometallism came into force has been so entirely satisfactory as to make us "rest and be thankful." Many think that our gold monometallism gives us the command of the money markets of the world; but while for many generations the London money market was the cheapest in the world, we are now, and have been of late, about fourth, the premier places being taken by Continental money markets—notably Paris, Berlin, and Amsterdam. So small is our stock of gold in the Bank of England that even a small withdrawal, coupled with the expectation of about a further million or so being wanted in the provinces, has sent up our Bank rate to 5 per cent. In the Bank of France there is stored upwards of £100,000,000, about half of which is in gold and half in silver, and yet the *Daily News* of September 26th said: "The obstinate way in which the Paris Exchange refuses to turn favourably to London excites remark, and some misgiving. It appears almost as if the old power of the dearer market to attract cash from the cheaper was at an end. In Paris the market rate of discount is only $2\frac{1}{2}$ per cent, in London it is fully $3\frac{1}{4}$ per cent. The difference of $1\frac{1}{4}$ per cent per annum is equal to about $25\frac{1}{4}$ centimes per sovereign or about $6\frac{1}{2}$ centimes for three months. Even this incentive to the bringing of gold to London fails to have effect." Yet some people make a fetish of our gold monometallism!

May I also point out the terrible results which would follow for us, as the rulers of India, if, as some monometallists wish, the outlawry of silver should be completed, and silver still further reduced in value. There would be crises, and there would be panics, and it is doubtful whether we could avert the direst political troubles there, even if we assumed the whole of India's debt.

To my mind the rational and proper view of the future of silver is to be gathered from the lessons of the past. It is that silver shall, as from time immemorial, serve as one of the precious metals, and that it shall, as in the palmy days when England's commercial greatness was being built up, be united to gold at a fixed ratio, so securing to us and to all peoples such a stable Standard of Value by which to measure labour and goods in all parts of the world as experience has taught us it is impossible to have under gold monometallism.

HENRY MCNIEL.

September, 1889.

Copies of this and other Leaflets and Pamphlets may be obtained free from The Bimetallist League, Haworth's Buildings, 5, Cross Street, Manchester, and 2, Princes Street, Westminster, S.W.

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